

## ICICI LOMBARD GENERAL INSURANCE COMPANY LIMITED

### 3RD ANNUAL REPORT AND ACCOUNTS 2002-2003

#### Directors

K. V. Kamath, *Chairman*  
R. Athappan  
B. V. Bhargava  
Dileep Chokshi  
James Dowd  
Chandran Ratnaswami  
H. N. Sinor  
Lalita D. Gupte  
Kalpana Morparia  
S. Mukherji  
Sandeep Bakhshi, *Managing Director & CEO*

#### Auditors

Bharat S. Raut & Co.  
Chartered Accountants

#### Registered Office

ICICI Bank Towers  
Bandra-Kurla Complex  
Mumbai - 400 051

## directors' report

### to the members

Your Directors have pleasure in presenting the Third Annual Report of the Company with the audited Statement of Accounts for the year ended March 31, 2003.

#### FINANCIAL HIGHLIGHTS

	Rs. in million	
	Fiscal 2003	Fiscal 2002
No. of policies	98,293	9,148
Gross written premium	2,152.2	281.3
Earned premium	272.3	14.2
Profit /(loss) before tax	41.9	(111.3)
Profit /(loss) after tax	33.0	(84.8)

#### DIVIDEND

The Directors are pleased to inform you that the Company has become profitable in its first full year of operations. However, in view of the accumulated losses of Rs. 59.8 million, the Directors do not recommend any dividend.

#### OPERATIONAL REVIEW

The Company has focused on building a profitable portfolio. The fire insurance business which has low loss ratios comprises 61% of the Company's portfolio as against an industry average of 24%.

As a measure of prudent risk management, the Company has entered into reinsurance arrangements with leading re-insurers including Munich Re, Swiss Re and General Insurance Corporation. The Company's strong reinsurance programme is a key strength and a source of comfort to customers. The Company views its re-insurers as providers of contingent capital and a vital constituency to be served along with its customers and shareholders.

The Company has a customer-centric approach in all its operations. The key customer service parameters viz. promptness in issuance of documents and settlement of claims, continue to be priority areas for the Company.

Keeping in mind the growing sophistication of the Indian consumer, the Company is focusing on Technology-driven solutions and over-the-counter (OTC) products. The Company offers online solutions in the area of marine, motor and travel insurance and OTC products for personal accident, home and merchants cover. The Company also provides online intimation of claims through its website which has resulted in improved efficiency and savings in operating costs.

The penetration of general insurance in India at around 0.6% of GDP is amongst the lowest in the world. The Company believes that the retail segment would be a major contributor to growth provided the insurance sector is able to offer products through a cost effective distribution system. The Company proposes to forge alliances with Government agencies, banks, NGOs and corporates, leverage customer databases and use technology to take a wide range of products to the retail segment.

#### AUDIT COMMITTEE

Pursuant to the provisions of Section 292A of the Companies Act, 1956, the Board at its Sixth Meeting held on September 18, 2002 had constituted an Audit Committee of Directors. In view of resignation of Directors and appointment of new Directors on the Board of the Company, the Audit Committee was reconstituted from time to time. The Audit Committee presently comprises S. Mukherji, James Dowd and Dileep Chokshi.

#### PUBLIC DEPOSITS

During the year under review, the Company has not accepted any deposit under Section 58-A of the Companies Act, 1956.

#### DIRECTORS

H.N. Sinor was nominated by ICICI Bank as Director of the Company effective July 30, 2002.

Byron G. Messier and Farid Gulmohamed, who were on the Board since March 2002, tendered their resignations as Directors effective January 29, 2003 and October 29, 2002 respectively. The Board placed on record its sincere appreciation for the contribution made by them during their tenure as the Directors of the Company.

The Board appointed Dileep Chokshi and R. Athappan as additional Directors of the Company effective October 29, 2002 and James F. Dowd (representative of Lombard Canada Limited) as an additional Director of the Company effective January 29, 2003. They would hold office upto the date of the ensuing Annual General Meeting of the Company but are eligible for appointment.

In terms of the provisions of the Articles of Association of the Company, Kalpana Morparia and S. Mukherji would retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

#### AUDITORS

The Auditors, M/s. Bharat S. Raut & Co., Chartered Accountants, Mumbai, will retire at the ensuing Annual General Meeting. The Board at its Meeting held on April 21, 2003 has proposed the appointment of M/s. Bharat S. Raut & Co., Chartered Accountants and M/s. Lodha & Co., Chartered Accountants as Joint Auditors to audit the accounts of the Company for the financial year ending March 31, 2004. You are requested to consider their appointment.

#### FOREIGN EXCHANGE EARNING AND EXPENDITURE

Foreign exchange earnings	Rs. 8.4 million
Foreign exchange expenditure	Rs. 113.4 million

#### PERSONNEL AND OTHER MATTERS

As required by the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the annexure to the Directors' Report.

Since your Company does not own any manufacturing facility, the disclosure of information on other matters required to be disclosed in terms of Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are not applicable and hence not given.

## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that :

1. in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
3. the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of

- the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. the Directors have prepared the annual accounts on a going concern basis.

## ACKNOWLEDGEMENTS

Your Company is grateful to the Insurance Regulatory and Development Authority and Reserve Bank of India for their support and advice.

The Company would like to express its gratitude for the unstinted support and guidance received from ICICI Bank and other ICICI group companies, Lombard Canada Limited and Fairfax Financial Holdings Limited.

The Directors would also like to place on record their appreciation for the commitment, hard work and team effort shown by the employees of the Company.

For and on behalf of the Board

K.V. KAMATH  
Chairman

Mumbai, April 21, 2003

# auditors' report

## to the members of ICICI Lombard General Insurance Company Limited

We have audited the attached Balance Sheet of ICICI Lombard General Insurance Company Limited ('the Company') as at March 31, 2003, and the related Fire, Marine and Miscellaneous Insurance Revenue Accounts (collectively known as the 'Revenue Accounts'), the Profit and Loss Account of the Company for the year ended, on that date annexed thereto and the Receipts and Payments Account for the year ended on that date.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Balance Sheet, the Revenue Accounts and the Profit and Loss Account, have been drawn up in accordance with the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations 2002 read with Section 211 of the Companies Act, 1956.

We report thereon as follows :

- We have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of the audit and have found them to be satisfactory;
- The Balance Sheet, the Revenue Accounts, the Profit & Loss Account and the Receipts and Payments Account referred to in this report are in agreement with the books of account;
- The estimate of claims Incurred But Not Reported ('IBNR') and claims Incurred But Not Enough Reported ('IBNER') has been certified by the Company's actuary. The actuary has certified that the assumptions used for such estimates are in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority and the Actuarial Society of India;
- On the basis of the written representations received from the Directors of the Company, as at March 31, 2003 and taken on record by the Board of Directors, no Director of the Company is disqualified as on March 31, 2003 from being appointed as Director under clause (g) of sub-section (1) of Section 274 to the Companies Act, 1956.

In our opinion and to the best of our information and according to the information and explanations given to us :

- The Balance Sheet, the Revenue Accounts, the Profit and Loss Account and the Receipts and Payments Account referred to in this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;

- Investments have been valued in accordance with the provisions of the Insurance Act, 1938 and Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations 2002;
- The accounting policies selected by the Company are appropriate and are in compliance with the applicable Accounting Standards and with the accounting principles, as prescribed in the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations 2002 and orders or directions issued by the Insurance Regulatory and Development Authority in this behalf;
- Proper books of account as required by law have been maintained by the Company so far as appears from our examination of those books; and
- The said accounts prepared in accordance with the requirements of the Insurance Act, 1938, the Insurance Regulatory and Development Act, 1999 and the Companies Act, 1956 to the extent applicable, and in a manner so required, give a true and fair view in conformity with the accounting principles generally accepted in India :
  - in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2003;
  - in the case of the Revenue Accounts, of the loss for the year ended March 31, 2003;
  - in the case of the Profit & Loss Account, of the profit for the year ended March 31, 2003;
  - in the case of the Receipts and Payments Account, of the receipts and payments for the year ended March 31, 2003.

Further, according to the information and explanations given to us and to the best of our knowledge and belief, we certify that :

- We have reviewed the management report and there are no apparent mistakes or material inconsistencies with the financial statements;
- There are no terms and conditions specified in the Certificate of Registration, Number 115, dated August 3, 2001 received by the Company from the Insurance Regulatory and Development Authority;
- We have verified the cash balances, to the extent considered necessary and securities relating to the Company's investments by actual inspection or by production of certificates, as the case may be;
- The Company is not the trustee of any trust; and
- No part of the assets of the policyholders' funds has been directly or indirectly applied in contravention to the provisions of the Insurance Act, 1938 relating to the application and investments of the policyholders funds.

For BHARAT S. RAUT & CO.  
Chartered Accountants

AKEEL MASTER  
Partner

Mumbai, April 21, 2003

# balance sheet

# profit and loss account

as at March 31, 2003

for the year ended March 31, 2003

	Schedule	(Rs. in '000s)	March 31, 2002	(Rs. in '000s)	March 31, 2002
<b>SOURCES OF FUNDS</b>					
Share Capital	5	1,095,980	1,094,422		
Fair value change account		420	—		
<b>Total</b>		<b>1,096,400</b>	<b>1,094,422</b>		
<b>APPLICATION OF FUNDS</b>					
Investments	6	2,100,085	1,128,990		
Loans	7	25,000	—		
Fixed assets	8	44,861	23,314		
Deferred tax asset		28,600	33,873		
Current assets					
Cash and bank balances	9	326,749	125,792		
Advances and other assets	10	562,141	248,011		
<b>Sub-Total (A)</b>		<b>888,890</b>	<b>373,803</b>		
Current liabilities	11	1,780,393	411,343		
Provision	12	270,472	147,024		
<b>Sub-Total (B)</b>		<b>2,050,865</b>	<b>558,367</b>		
Net current assets (C) = (A - B)		<b>(1,161,975)</b>	<b>(184,564)</b>		
Debit balance in profit and loss account		59,829	92,809		
<b>Total</b>		<b>1,096,400</b>	<b>1,094,422</b>		
<b>1. Operating profit/(loss)</b>					
(a) Fire insurance				(47,099)	(571)
(b) Marine insurance				(14,395)	(3)
(c) Miscellaneous insurance				(8,921)	(130,120)
<b>2. Income from investments</b>				<b>88,825</b>	51,996
(a) Interest/Dividend – Gross					
(b) Profit/Loss on sale of investments (net)				27,239	643
<b>3. Other Income</b>				<b>479</b>	14
<b>Total (A)</b>				<b>46,128</b>	(78,041)
<b>4. Other expenses</b>					
(a) Expenses other than those related to insurance business					
Employees' remunerations and welfare benefits				2,654	12,595
Travel, conveyance and vehicle running expenses				—	3,065
Training expenses				—	1,574
Rents, rates and taxes				—	9,704
Legal and professional charges				—	2,196
Others				63	2,538
(b) Preliminary expenses written off				1,558	1,558
<b>Total (B)</b>				<b>4,275</b>	33,230
<b>Profit before tax</b>				<b>41,853</b>	(111,271)
Provision for taxation:					
(a) Current tax expense				3,600	2,750
(b) Deferred tax expense				5,273	(29,200)
<b>Profit after tax</b>				<b>32,980</b>	(84,821)
Balance of loss brought forward from previous period			92,809		12,661
Deferred tax of earlier year			—		(4,673)
				<b>92,809</b>	7,988
Loss carried forward to Balance Sheet.				<b>59,829</b>	92,809

Schedules referred to herein form an integral part of the Balance Sheet.

As per our report attached of even date

For BHARAT S. RAUT & CO.  
Chartered Accountants

AKEEL MASTER  
Partner

Mumbai, April 21, 2003

For and on behalf of the Board

K.V. KAMATH  
Chairman

S. MUKHERJI  
Director

RAKESH JAIN  
Head Finance & Accounts

KALPANA MORPARIA  
Director

SANDEEP BAKHSHI  
Managing Director & CEO

RAJESH CHAWATHE  
Company Secretary

# revenue accounts



for the year ended March 31, 2003

(Rs. in '000s)

Particulars	Schedule	Fire		Marine		Miscellaneous		Total	
		Year ended	Period ended	Year ended	Period ended	Year ended	Period ended	Year ended	Period ended
		March 31, 2003	March 31, 2002	March 31, 2003	March 31, 2002	March 31, 2003	March 31, 2002	March 31, 2003	March 31, 2002
1. Premium earned (Net)	1	74,442	2,054	16,877	15	181,026	12,080	272,345	14,149
2. Profit/(Loss) on sale of Investments (Net)		2,301	4	426	—	4,980	47	7,707	51
3. Others – Foreign exchange gain/(loss)		—	—	82	—	1,437	—	1,519	—
4. Interest/Dividend on Investments – Gross		7,505	317	1,390	1	16,240	3,834	25,135	4,152
<b>Total (A)</b>		<b>84,248</b>	<b>2,375</b>	<b>18,775</b>	<b>16</b>	<b>203,683</b>	<b>15,961</b>	<b>306,706</b>	<b>18,352</b>
1. Claims incurred (Net)	2	15,107	1,232	19,658	10	143,474	16,640	178,239	17,882
2. Commission	3	(142,594)	(31,570)	(3,719)	(2)	(25,795)	(8,804)	(172,108)	(40,376)
3. Operating Expenses related to insurance business	4	258,834	33,284	17,231	11	143,425	86,745	419,490	120,040
4. Others – premium deficiency		—	—	3,000	—	(51,500)	51,500	(48,500)	51,500
<b>Total (B)</b>		<b>131,347</b>	<b>2,946</b>	<b>33,170</b>	<b>19</b>	<b>212,604</b>	<b>146,081</b>	<b>377,121</b>	<b>149,046</b>
<b>Operating Profit/(Loss) (C) = (A - B)</b>		<b>(47,099)</b>	<b>(571)</b>	<b>(14,395)</b>	<b>(3)</b>	<b>(8,921)</b>	<b>(130,120)</b>	<b>(70,415)</b>	<b>(130,694)</b>
<b>APPROPRIATIONS</b>									
Transfer to shareholders' account		(47,099)	(571)	(14,395)	(3)	(8,921)	(130,120)	(70,415)	(130,694)
<b>Total (C)</b>		<b>(47,099)</b>	<b>(571)</b>	<b>(14,395)</b>	<b>(3)</b>	<b>(8,921)</b>	<b>(130,120)</b>	<b>(70,415)</b>	<b>(130,694)</b>

As required by Section 40C(2) of the Insurance Act, 1938, we certify that, to the best of our knowledge and according to the information and explanations given to us, and so far as appears from our examination of the Company's books of accounts, all expenses of management, wherever incurred, whether directly or indirectly, have been fully debited in the Revenue Accounts as expense.

Schedules referred to herein form an integral part of the Revenue Accounts.

As per our report attached of even date

For BHARAT S. RAUT & CO.  
Chartered Accountants

AKEEL MASTER  
Partner

Mumbai, April 21, 2003

For and on behalf of the Board

K.V. KAMATH  
Chairman

S. MUKHERJI  
Director

RAKESH JAIN  
Head Finance & Accounts

KALPANA MORPARIA  
Director

SANDEEP BAKHSHI  
Managing Director & CEO

RAJESH CHAWATHE  
Company Secretary

# schedules

forming part of the financial statements

## SCHEDULE – 1 Premium Earned (net)

(Rs. in '000s)

Particulars	Fire		Marine				Miscellaneous										Total											
	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Marine Cargo		Marine-Others		Marine-Total		Motor		Engineering		Workmen Compensation		Public/Product Liability		Personal Accident		Health Insurance		Aviation		Others		Miscellaneous		Year ended Mar. 31, 2003	Period ended Mar. 31, 2002
			Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002				
Premium from direct business written	1,281,908	1,12,326	61,420	40	30,035	—	91,455	40	28,143	102,894	227,828	22,159	4,480	100	13,468	239	53,980	8,786	134,138	19,820	13,833	—	267,365	14,833	743,235	168,891	2,116,598	281,257
Add : Premium on reinsurance accepted	33,075	—	—	—	—	—	—	—	—	—	2,176	—	—	—	22	—	284	—	—	—	—	—	2	—	2,484	—	35,559	—
Less : Premium on reinsurance ceded	1,107,230	96,833	25,660	8	28,752	—	54,412	8	13,951	22,853	169,887	17,401	903	22	10,291	53	38,524	6,434	25,544	3,775	12,591	—	193,738	14,060	463,429	64,598	1,625,071	161,439
Less : Service tax	44,448	2,464	2,037	2	290	—	2,327	2	1,331	4,899	11,542	1,016	201	4	435	11	1,187	328	6,133	944	616	—	13,580	447	35,025	7,649	81,800	10,145
<b>Net premium</b>	<b>163,305</b>	<b>12,889</b>	<b>33,723</b>	<b>30</b>	<b>993</b>	<b>—</b>	<b>34,716</b>	<b>30</b>	<b>12,861</b>	<b>75,142</b>	<b>48,575</b>	<b>3,742</b>	<b>3,376</b>	<b>74</b>	<b>2,764</b>	<b>175</b>	<b>16,553</b>	<b>2,024</b>	<b>102,461</b>	<b>15,101</b>	<b>626</b>	<b>—</b>	<b>60,049</b>	<b>386</b>	<b>247,265</b>	<b>95,644</b>	<b>445,286</b>	<b>109,673</b>
Adjustment for change in reserve for unexpired risks	88,883	10,845	16,846	15	993	—	17,839	15	(51,395)	66,679	24,129	3,087	2,296	64	1,238	144	8,650	2,054	42,712	12,249	327	—	38,272	287	66,239	84,564	172,941	95,524
<b>Total premium earned (net)</b>	<b>74,442</b>	<b>2,064</b>	<b>16,877</b>	<b>15</b>	<b>—</b>	<b>—</b>	<b>16,877</b>	<b>15</b>	<b>64,246</b>	<b>8,463</b>	<b>24,446</b>	<b>655</b>	<b>1,080</b>	<b>10</b>	<b>1,526</b>	<b>31</b>	<b>7,903</b>	<b>(30)</b>	<b>59,749</b>	<b>2,852</b>	<b>299</b>	<b>—</b>	<b>21,777</b>	<b>99</b>	<b>181,026</b>	<b>12,080</b>	<b>272,345</b>	<b>14,149</b>

## SCHEDULE – 2 Claims Incurred (net)

(Rs. in '000s)

Particulars	Fire		Marine				Miscellaneous										Total											
	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Marine Cargo		Marine-Others		Marine-Total		Motor		Engineering		Workmen Compensation		Public/Product Liability		Personal Accident		Health Insurance		Aviation		Others		Miscellaneous		Year ended Mar. 31, 2003	Period ended Mar. 31, 2002
			Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002				
Claims paid-Direct	52,504	23	14,144	—	—	—	14,144	—	54,383	5,688	15,899	3	1	—	—	—	7,903	—	72,882	1,279	—	—	4,898	—	155,976	6,970	222,824	6,993
Add : Re-insurance Accepted	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	100	—	—	—	—	—	—	—	100	—	100	—
Less : Re-insurance Ceded	47,177	23	2,986	—	—	—	2,986	—	10,877	1,137	12,158	1	—	—	—	—	6,734	—	14,578	256	—	—	1,952	—	46,299	1,394	96,462	1,417
<b>Net Claims paid</b>	<b>5,327</b>	<b>—</b>	<b>11,158</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>11,158</b>	<b>—</b>	<b>43,506</b>	<b>4,551</b>	<b>3,741</b>	<b>2</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,269</b>	<b>—</b>	<b>58,314</b>	<b>1,023</b>	<b>—</b>	<b>—</b>	<b>2,946</b>	<b>—</b>	<b>109,777</b>	<b>5,576</b>	<b>126,262</b>	<b>5,576</b>
Add : Claims Outstanding at the end of the year	11,012	1,232	8,408	10	102	—	8,510	10	18,061	9,142	8,899	492	112	—	391	24	680	—	13,526	1,258	214	—	2,878	148	44,761	11,064	64,283	12,306
Less : Claims Outstanding at the beginning of the year	1,232	—	10	—	—	—	10	—	9,142	—	492	—	—	—	24	—	—	—	1,258	—	—	—	148	—	11,064	—	12,306	—
<b>Total claims incurred</b>	<b>15,107</b>	<b>1,232</b>	<b>19,556</b>	<b>10</b>	<b>102</b>	<b>—</b>	<b>19,658</b>	<b>10</b>	<b>52,425</b>	<b>13,693</b>	<b>12,148</b>	<b>484</b>	<b>113</b>	<b>—</b>	<b>367</b>	<b>24</b>	<b>1,949</b>	<b>—</b>	<b>70,582</b>	<b>2,281</b>	<b>214</b>	<b>—</b>	<b>5,676</b>	<b>148</b>	<b>143,474</b>	<b>16,640</b>	<b>178,239</b>	<b>17,882</b>

**SCHEDULE – 3  
Commission**

(Rs. in '000s)

Particulars	Fire			Marine						Miscellaneous						Total														
	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Marine Cargo		Marine-Others		Marine-Total		Motor		Engineering		Workmen Compensation		Public/Product Liability		Personal Accident		Health Insurance		Aviation		Others		Total Miscellaneous				
				Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002			
Commission paid-Direct	135	—	216	—	—	—	216	—	88	4,699	97	—	—	—	—	—	1	—	—	—	—	—	—	—	1,026	—	1,212	4,699	1,563	4,699
Add: Re-insurance	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	6	—	—	—	—	—	—	—	71	—	77	—	1,555	—
Accepted Commission	1,478	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Less: Commission received on Re-insurance	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Ceiled	144,207	31,570	2,651	2	1,284	—	3,935	2	911	4,900	9,988	4,235	85	1,367	714	11	2,854	944	2,854	944	382	—	9,538	70	—	27,084	13,503	175,226	45,075	
Net Commission	(142,594)	(31,570)	(2,435)	(2)	(1,284)	—	(3,719)	(2)	(823)	(201)	(9,871)	(4,235)	(85)	(1,367)	(707)	(11)	(2,854)	(944)	(2,854)	(944)	(982)	—	(8,441)	(70)	—	(25,795)	(18,804)	(172,108)	(40,378)	

**SCHEDULE – 4  
Operating expenses related to insurane business**

(Rs. in '000s)

Particulars	Fire			Marine						Miscellaneous						Total													
	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Marine Cargo		Marine-Others		Marine-Total		Motor		Engineering		Workmen Compensation		Public/Product Liability		Personal Accident		Health Insurance		Aviation		Others		Total Miscellaneous			
				Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002	Year ended Mar. 31, 2003	Period ended Mar. 31, 2002		
Employees' remuneration & welfare benefits	73,576	15,055	3,525	5	1,724	—	5,249	5	1,615	18,665	13,075	2,889	257	13	773	32	3,098	1,160	7,689	2,587	794	—	15,346	1,990	42,657	27,335	121,482	42,395	
Travel, conveyance and vehicle running expenses	21,260	3,541	1,019	1	488	—	1,517	1	467	5,118	3,778	682	74	3	223	7	885	272	2,225	609	229	—	4,434	466	12,225	7,157	35,102	10,689	
Training expenses	2,363	1,178	113	—	55	—	168	—	52	2,367	420	227	8	1	25	2	99	91	247	202	26	—	493	155	1,570	3,246	3,901	4,423	
Rents, rates & taxes	33,289	7,288	1,595	3	780	—	2,375	3	731	8,672	5,917	1,403	116	6	350	15	1,402	561	3,483	1,252	359	—	6,943	959	19,301	12,868	54,965	20,159	
Repairs	6,074	759	291	1	142	—	433	1	133	734	1,079	146	21	1	64	2	256	58	638	130	66	—	1,267	100	3,522	1,171	10,029	1,831	
Printing & stationery	3,267	254	157	—	77	—	234	—	72	723	581	49	11	—	34	1	138	19	342	44	35	—	681	33	1,894	869	5,395	1,123	
Communication	9,358	1,364	448	—	219	—	667	—	205	2,142	1,663	263	33	7	98	3	394	105	979	234	101	—	1,952	179	5,425	2,927	15,450	4,291	
Legal & professional charges	37,175	2,061	980	1	479	—	1,459	1	3,945	8,651	3,634	389	71	2	215	4	861	144	2,140	323	221	—	4,265	247	15,352	9,760	53,986	11,822	
Auditors' fees, expenses etc	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
(a) as auditor	367	156	18	—	9	—	27	—	8	171	65	30	1	—	4	—	15	13	39	27	4	—	77	21	213	262	607	420	
(b) Tax audit	95	4	5	—	2	—	7	—	2	4	17	1	—	—	1	—	4	—	10	1	1	—	20	1	95	7	157	11	
Advertisement and publicity	60,409	312	2,894	—	1,415	—	4,309	—	1,326	18,013	10,736	60	211	—	635	—	2,544	24	6,321	54	652	—	12,600	41	35,025	18,192	98,743	18,504	
Interest & Bank Charges	1,702	471	82	—	40	—	122	—	(61)	1,287	302	90	6	7	18	1	72	36	178	81	18	—	355	62	888	1,558	2,712	2,029	
Miscellaneous expenses	3,811	108	154	—	75	—	229	—	71	1,06	572	21	11	—	34	—	136	9	337	19	35	—	672	14	1,868	1,69	5,908	277	
Depreciation	6,088	731	292	—	143	—	435	—	134	804	1,082	140	21	1	64	2	256	56	637	126	66	—	1,270	96	3,530	1,225	10,053	1,956	
<b>Total</b>	<b>258,834</b>	<b>33,264</b>	<b>11,573</b>	<b>11</b>	<b>5,658</b>	<b>—</b>	<b>17,231</b>	<b>11</b>	<b>8,700</b>	<b>67,657</b>	<b>42,921</b>	<b>6,389</b>	<b>841</b>	<b>29</b>	<b>2,538</b>	<b>69</b>	<b>10,170</b>	<b>2,548</b>	<b>25,273</b>	<b>5,689</b>	<b>2,607</b>	<b>—</b>	<b>50,375</b>	<b>4,354</b>	<b>143,425</b>	<b>86,745</b>	<b>419,490</b>	<b>120,040</b>	

# schedules

## forming part of the financial statements

Continued

### SCHEDULE – 5

#### Share Capital

Particulars	(Rs. in '000s)	
	As at March 31, 2003	As at March 31, 2002
Authorised capital 110,000,000 (Previous year: 110,000,000) equity shares of Rs. 10 each	1,100,000	1,100,000
Issued capital 110,000,000 (Previous year: 110,000,000) equity shares of Rs. 10 each	1,100,000	1,100,000
Subscribed capital 110,000,000 (Previous year: 110,000,000) equity shares of Rs. 10 each	1,100,000	1,100,000
Called up capital 110,000,000 (Previous year: 110,000,000) equity shares of Rs. 10 each	1,100,000	1,100,000
Less: Preliminary expenses (to the extent not written off)	4,020	5,578
<b>Total</b>	<b>1,095,980</b>	<b>1,094,422</b>

#### Note:

Of the above issued share capital as of March 31, 2003, 81,399,300 shares (Previous year: 81,399,300 shares) of Rs. 10 each are held by the holding company, ICICI Bank Limited and 700 shares (Previous year: 700 shares) of Rs. 10 each are held by ICICI Bank Limited through its nominees.

### SCHEDULE – 5A

#### Share Capital

#### Pattern of shareholding [As certified by the management]

Shareholder	As at March 31, 2003		As at March 31, 2002	
	Number of Shares	% of Holding	Number of Shares	% of Holding
Promoters				
– Indian	81,400,000	74%	81,400,000	74%
– Foreign	28,600,000	26%	28,600,000	26%
<b>Total</b>	<b>110,000,000</b>	<b>100%</b>	<b>110,000,000</b>	<b>100%</b>

### SCHEDULE – 6

#### Investments

Particulars	(Rs. in '000s)	
	As at March 31, 2003	As at March 31, 2002
<b>Long term investments</b>		
Government securities and government guaranteed bonds including treasury bills (Note 3)	413,834	288,427
Other approved securities	32,303	88,632
Other investments		
Debentures/ Bonds (Note 4)	303,852	274,172
Investments in infrastructure and social sector	139,987	147,493
Other than Approved Investments	128,489	—
<b>Short term investments</b>		
Government securities and government guaranteed bonds including treasury bills	534,187	132,155
Other investments		
a) Equity shares	15,133	—
b) Mutual Fund units	102,820	—
c) Debentures/ Bonds	275,552	147,435
Investments in infrastructure and social sector	153,928	50,676
<b>Total investments</b>	<b>2,100,085</b>	<b>1,128,990</b>

- Notes:**
- Aggregate book value of investments (other than listed equities) is Rs. 2,084,952,216 (Previous year: Rs 1,128,989,720).
  - Aggregate market value of investments (other than listed equities) is Rs. 2,129,266,022 (Previous year: Rs. 1,146,917,650).
  - Includes investment pursuant to Section 7 of Insurance Act, 1938 Rs 10,000,000.
  - Includes investment at cost in ICICI Bank Limited Rs. 48,873,541 (Previous year: Rs. 33,765,208).

### SCHEDULE – 7

#### Loans

Particulars	(Rs. in '000s)	
	As at March 31, 2003	As at March 31, 2002
<b>Security-wise Classification</b>		
Secured		
(a) On mortgage of property (aa) In India	25,000	—
<b>Total</b>	<b>25,000</b>	<b>—</b>
<b>Borrower-wise Classification</b>		
(a) Others (Body corporate)	25,000	—
<b>Total</b>	<b>25,000</b>	<b>—</b>
<b>Performance-wise Classification</b>		
(a) Loans classified as standard (aa) In India	25,000	—
<b>Total</b>	<b>25,000</b>	<b>—</b>
<b>Maturity-wise Classification</b>		
(a) Short Term	25,000	—
<b>Total</b>	<b>25,000</b>	<b>—</b>

# schedules



forming part of the financial statements

Continued

## SCHEDULE – 8

### Fixed Assets

Particulars	Cost/ Gross Block				Depreciation				Net Block	
	April 1, 2002	Additions	Deletions	March 31, 2003	April 1, 2002	For the Year	On Sales/ Adjustments	March 31, 2003	March 31, 2003	March 31, 2002
	Buildings	–	4,251	–	4,251	–	30	–	30	4,221
Furniture & Fittings	–	5,562	–	5,562	–	166	–	166	5,396	–
Information Technology Equipment	7,778	8,490	–	16,268	870	2,921	–	3,791	12,477	6,908
Computer Software	16,477	9,332	–	25,809	1,257	6,255	–	7,512	18,297	15,220
Office Equipment	678	2,656	26	3,308	20	681	2	699	2,609	658
<b>Total</b>	<b>24,933</b>	<b>30,291</b>	<b>26</b>	<b>55,198</b>	<b>2,147</b>	<b>10,053</b>	<b>2</b>	<b>12,198</b>	<b>43,000</b>	<b>22,786</b>
Work in Progress									1,861	528
<b>Grand Total</b>	<b>24,933</b>	<b>30,291</b>	<b>26</b>	<b>55,198</b>	<b>2,147</b>	<b>10,053</b>	<b>2</b>	<b>12,198</b>	<b>44,861</b>	<b>23,314</b>
Previous year	1,151	23,782	–	24,933	37	2,110	–	2,147	22,786	–

## SCHEDULE – 9

### Cash and Bank Balances

Particulars	(Rs. in '000s)	
	As at March 31, 2003	As at March 31, 2002
Cheques in hand (including stamps)	165,966	32,223
Bank balances		
(a) Deposit accounts - short-term (due within 12 months)	55,000	30,000
(b) Current accounts	105,783	13,569
Money at call and short notice		
(a) With other institutions	–	50,000
<b>Total</b>	<b>326,749</b>	<b>125,792</b>

## SCHEDULE – 10

### Advances and Other Assets

Particulars	(Rs. in '000s)	
	As at March 31, 2003	As at March 31, 2002
<b>Advances</b>		
Reserve deposits with reinsurance companies	–	9,196
Prepayments	774	–
Advance tax paid and taxes deducted at source (net of provisions for tax)	13,264	1,671
Others		
- Sundry deposit	7,935	6,056
- Advances to/receivables from Employees	791	792
	8,726	6,848
<b>Total (A)</b>	<b>22,764</b>	<b>17,715</b>
<b>Other Assets</b>		
Income accrued on investments/deposits	33,919	28,057
Outstanding premiums	41,316	109,766
Due from other entities carrying on insurance business (including reinsurers)	462,743	91,443
Deposit with Reserve Bank of India [Pursuant to Section 7 of Insurance Act, 1938]	1,000	1,000
Others		
- Deposit with IRDA	91	30
- Interest accrued on loans	308	–
	399	30
<b>Total (B)</b>	<b>539,377</b>	<b>230,296</b>
<b>Total (A+B)</b>	<b>562,141</b>	<b>248,011</b>

## SCHEDULE – 11

### Current Liabilities

Particulars	(Rs. in '000s)	
	As at March 31, 2003	As at March 31, 2002
Agents' balances	45	1,195
Balances due to other insurance companies	563,411	118,938
Premiums received in advance	557,618	196,870
Unallocated premium	16,852	592
Sundry creditors	95,168	35,162
Unearned commission	182,500	–
Due to holding company	77,000	14,742
Claims outstanding	270,764	36,571
Due to Officers/Directors	–	–
Others –		
(a) Statutory dues	13,976	–
(b) Salary payable	39	–
(c) Miscellaneous	128	–
(d) Collections-environment relief fund	2,892	–
	17,035	7,273
<b>Total</b>	<b>1,780,393</b>	<b>411,343</b>

## SCHEDULE – 12

### Provisions

Particulars	(Rs. in '000s)	
	As at March 31, 2003	As at March 31, 2002
For unexpired risk	267,472	95,524
For premium deficiency	3,000	51,500
<b>Total</b>	<b>270,472</b>	<b>147,024</b>

### SCHEDULE – 13

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2003

##### 1. BACKGROUND

ICICI Lombard General Insurance Company Limited ('the Company') was incorporated on October 30, 2000. The principal shareholders of the Company are ICICI Bank Limited (74%) and Lombard Canada Limited (a subsidiary of Fairfax Financial Holdings Limited) (26%). The Company received the license to undertake General Insurance business on August 3, 2001 from the Insurance Regulatory and Development Authority ('IRDA').

##### 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The accompanying financial statements have been prepared under the historical cost convention, on the accrual basis of accounting, in compliance with the accounting standards issued by the Institute of Chartered Accountants of India ('ICAI'), to the extent applicable, and in accordance with the provisions of the Insurance Act, 1938, Insurance Regulatory and Development Authority Act, 1999, the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 ('the Regulations'), the Companies Act, 1956 to the extent applicable, and current practices within the insurance industry in the country.

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements.

##### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

###### 3.1 Revenue recognition

###### Premium income

Premium earned is recognised as income over the period of risk or the contract period based on 1/365 method, whichever is appropriate.

###### Income from reinsurance business

Commission income on reinsurance ceded is recognised over the contract period.

During the current year, the Company has changed its accounting policy relating to recognition of reinsurance commission income. In the previous year, the Company used to recognise commission income upfront on cession of reinsurance business. Consequent to the change in accounting policy, the commission income, transfer to shareholders account are lower by Rs. 182,500 thousand, operating loss is higher by Rs. 182,500 thousand, profit before taxes is lower by Rs. 182,500 thousand and the unearned commission income is higher by Rs. 182,500 thousand.

Profit commission under re-insurance treaties is recognised on receipt of intimation from the reinsurer.

###### Income earned on investments

Interest income on investments is recognised on an accrual basis.

Dividend income is recognised when the right to receive dividend is established.

Realised gain/loss on securities is the difference between the sale consideration and the amortised cost in the books of the Company as on the date of sale.

###### 3.2 Reinsurance premium

Reinsurance premium ceded is recognised over the period of contract/period of risk.

###### 3.3 Reserve for unexpired risk

Reserve for unexpired risk is recognised net of reinsurance and represents premium towards risks to be covered in succeeding accounting period subject to minimum as required under Section 64 V(1) (ii) (b) of the Insurance Act, 1938.

###### 3.4 Claims

Claims (net of reinsurance) are accounted for as and when intimated/ reported.

Amounts received/receivable and paid/payable from the coinsurers, proportionate to the risk shared, are recognised together with the claim. Provision for claims are based on individual case estimates received. The estimates are regularly reviewed and updated as additional information on the estimated claims becomes known and any resulting adjustments are included in the revenue accounts.

Provision is also made at year end for claims Incurred But Not Reported ('IBNR') and claims Incurred But Not Enough Reported ('IBNER') based on actuarial estimate duly certified by a qualified actuary.

###### 3.5 Acquisition costs

Acquisition costs are those costs that vary with, and are primarily costs related to the acquisition of new and renewal insurance contracts viz. commission, policy issue expenses etc. These costs are expensed in the year in which they are incurred.

###### 3.6 Premium deficiency

Premium deficiency represents the amount by which sum of expected claim costs, related expenses and maintenance costs exceeds the sum of related premiums carried forward to the subsequent accounting period and the reserve for unexpired risks.

###### 3.7 Investments

Investments are recorded at cost and includes brokerage, transfer charges, stamps etc, if any, and excludes interest paid on purchases.

###### Classification

Investments maturing within twelve months from balance sheet date and investments made with the specific intention to dispose off within twelve months from balance sheet date are classified as 'short term investments'.

All other investments are classified as 'long term investments'.

###### Valuation

All debt securities are considered as 'held to maturity' and accordingly stated at historical cost subject to amortisation of premium or accretion of discount on a straight line basis over the holding/maturity period.

Other investments comprise of equity shares and units of mutual fund. Listed equity shares are stated at fair value being the last quoted closing price as at the balance sheet date. Mutual fund investments are stated at fair value being the closing net asset value as at the balance sheet date. Unrealized gain/loss arising on account of such valuation is taken to equity under the head "Fair value change account".

###### 3.8 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis pro-rata for the period of use at the rates prescribed in Schedule XIV to the Companies Act, 1956 except in the cases setout below where depreciation is provided at a rate higher than those prescribed under Schedule XIV to the Companies Act, 1956.

- Depreciation on information technology equipments is provided @25 percent.

- Depreciation on computer software is provided @20 percent except for expenditure below Rs. 500,000, which is fully depreciated in the year incurred.

Other assets individually costing less than Rs. 5,000 are fully depreciated in the year in which they are acquired.

###### 3.9 Retirement benefits

The Company makes a contribution to the recognised provident fund at prescribed rates which is charged to revenue accounts.

Provision for gratuity for employees is made on the basis of the amount determined by actuarial valuation and is charged to revenue accounts.

The Company's liability in respect of leave encashment is also determined on the basis of actuarial valuation and is charged to the revenue accounts.

###### 3.10 Foreign currency transactions

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Foreign exchange denominated current assets and liabilities are translated at the year-end exchange rates. Exchange rate differences resulting from foreign exchange transactions settled during the year, including year-end translation of current assets and liabilities are recognised in the revenue accounts.

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## 3.11 Taxation

### Current tax

The Company provides for income tax on estimated taxable income in accordance with the provisions of the Income Tax Act, 1961.

### Deferred tax

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to timing differences that result between the profit offered for income taxes and the profit as per the Company's financial statements.

Deferred tax assets and liabilities are measured using the tax rate and tax laws that have been enacted or substantively enacted by the balance sheet date and accounted for under the liability method. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the profit and loss account in the period of change.

Deferred tax assets are recognized subject to management's consideration of prudence in respect of their realisability.

## 3.12 Miscellaneous expenditure

Preliminary expenses are amortised over a period of five years from the date of incorporation.

## 4. NOTES TO ACCOUNTS

### 4.1 Statutory disclosures as required by the IRDA regulations

#### 4.1.1 Contingent liabilities

Contingent liabilities at March 31, 2003 is Rs. Nil (Previous year: Rs. Nil)

#### 4.1.2 The assets of the Company are free from all encumbrances.

#### 4.1.3 Estimated amount of contracts remaining to be executed on fixed assets and not provided for (net of advances) is Rs. 5,435 thousand (Previous year : Rs. 3,900 thousand).

#### 4.1.4 Claims

Claims, less reinsurance, paid to claimants in / outside India are as under :

(Rs. in '000s)

Particulars	For the year ended March 31, 2003	For the period ended March 31, 2002
In India	126,262	5,576
Outside India	Nil	Nil

Claims outstanding include claims for IBNR cases. These have been estimated by a qualified actuary appointed by the Company. The Company being in the nascent stage of its operations, the qualified actuary has used suitable alternative methods for each product category.

#### Ageing of claims

Ageing of claims is set out in the table below :

(Rs. in '000s)

Particulars	For the year ended March 31, 2003	For the period ended March 31, 2002
More than six months	29,756	Nil
Others	241,008	12,306

Claims settled and remaining unpaid for more than six months: Rs. Nil (Previous year: Rs. Nil)

## 4.1.5 Premium

Premium, less reinsurance, written from business in/outside India is given below :

(Rs. in '000s)

Particulars	For the year ended March 31, 2003	For the period ended March 31, 2002
In India	445,286	109,673
Outside India	Nil	Nil

The Company has recognised one percent (Previous year: Ten percent) of the premium earned under Miscellaneous - Engineering class of business based on varying risk pattern. The risk pattern is determined based on underwriting estimates, which are in turn based on project related information received from the customers. The Company

perceives significant risk for terrorism, and accordingly reserve for unexpired risks has been created at 100% of inward premium.

Value of contracts in relation to investments for :

- Purchases where deliveries are pending Rs. 54,166 thousand (Previous year: Nil); and
- Sales where payments are outstanding Rs. 54,200 thousand (Previous year: Nil).

All investments are made in accordance with the Insurance Act, 1938 and Insurance Regulatory and Development Authority (Investment) Regulations, 2000 and are performing investments.

An amount of Rs. 2,892 thousand (Previous year Rs. 228 thousand) collected towards Environment Relief fund under Public Liability Policies has been disclosed under current liabilities and the same is invested in Government Securities.

Historical cost of investments that are valued on fair value basis is Rs. 117,533 thousand (Previous year: Rs. Nil).

#### 4.1.6 As at March 31, 2003, the Company had assets amounting to Rs. 11,000 thousand (Previous year: Rs. 1,000 thousand), deposited with the Reserve Bank of India, as required under Section 7 of the Insurance Act, 1938.

#### 4.1.7 Allocation of income and expenses

##### Allocation of investment income

Investment income has been allocated between revenue accounts and profit and loss account on the basis of the ratio of average policyholders funds to average shareholders funds respectively based on average of funds at the beginning of the year and at the end of the year.

Allocation amongst revenue accounts is on the basis of policyholder's funds viz. unexpired risk, premium deficiency and outstanding claims.

Average policyholders funds comprise reserves for unexpired risks, premium deficiency and outstanding claims. Average shareholders funds comprise share capital less accumulated losses and miscellaneous expenditure not written off.

##### Allocation of expenses

Operating expenses relating to insurance business are allocated to specific classes of business on the following basis:

- Expenses that are directly identifiable to the business class are allocated on actual basis;
- Other expenses, that are not directly identifiable, are broadly allocated on gross written premium;
- The method of allocation has been decided based on the nature of the expense and its logical correlation with the classes of business.

#### 4.1.8 Sector-wise details of the policies are given below :

(Rs. in '000s)

Sector	As at March 31, 2003		As at March 31, 2002	
	Rs.	%	Rs.	%
Rural	47,536	2.21	2,258	0.83
Urban	2,104,623	97.79	278,999	99.17

#### 4.1.9 Extent of risks retained and reinsured is set out below :

Particulars	Basis	As at March 31, 2003		As at March 31, 2002	
		Retention	Ceded	Retention	Ceded
Fire	Total sum insured	14%	86%	9%	91%
	Value at risk	57%	43%	80%	20%
Marine - Cargo	Total sum insured	25%	75%	18%	82%
	Value at risk	80%	20%	80%	20%
Miscellaneous - Engineering	Total sum insured	25%	75%	18%	82%
	Value at risk	80%	20%	80%	20%
- Motor	Total sum insured	80%	20%	80%	20%
	Value at risk	80%	20%	80%	20%
- Workmen Compensation	Total sum insured	25%	75%	80%	20%
	Value at risk	25%	75%	80%	20%
- Public Liability - Personal	Total sum insured	32%	68%	13%	87%
	Value at risk	80%	20%	80%	20%
- Accident	Total sum insured	25%	75%	44%	56%
	Value at risk	25%	75%	44%	56%
- Health	Total sum insured	25%	75%	44%	56%
	Value at risk	25%	75%	44%	56%
- Others	Total sum insured	25%	75%	44%	56%
	Value at risk	25%	75%	44%	56%

### 4.1.10 Details of managerial remuneration are as under :

Particulars	(Rs. in '000s)	
	For the year ended March 31, 2003	For the period ended March 31, 2002
Salaries and allowances	3,449	Nil
Contribution to provident and other funds	245	Nil
Perquisites	436	Nil

**Notes :** Perquisites as stated above are based on actual payment.

Managerial remuneration as stated above does not include gratuity and leave encashment payable as the same cannot be ascertained on an individual basis.

The managerial remuneration is as per the terms of appointment as approved by the IRDA.

In the previous year, the Managing Director(s) drew their remuneration from the holding company and hence no managerial remuneration is paid or payable to the Managing Director.

### 4.2 Other disclosures

#### 4.2.1 Segmental reporting

##### Primary reportable segments

The Company's primary reportable segments are business segments which have been identified in accordance with AS 17 – Segment Reporting read with the Regulations. The income and expenses attributable to the business segments are allocated as mentioned in paragraph 4.1.7 above.

##### Segmental Assets & Liabilities

Segment	Year	(Rs. in '000s)			
		Current Liabilities			Current Assets
		Unearned Commission	Claims Outstanding	Un-allocated Premium	Out-standing Premium
Fire	2002-03	128,010	137,569	—	37,402
Fire	2001-02	—	(18,842)	—	(109,765)
Engg	2002-03	27,206	38,767	642	3,869
Engg	2001-02	—	(1,767)	(592)	—
Marine Cargo	2002-03	1,766	12,103	—	14
Marine Cargo	2001-02	—	(12)	—	—
Marine Hull	2002-03	884	3,394	—	—
Marine Hull	2001-02	—	—	—	—
Motor	2002-03	1,047	24,715	—	—
Motor	2001-02	—	(11,563)	—	—
Wc	2002-03	127	141	—	—
Wc	2001-02	—	—	—	—
Liabilities	2002-03	1,398	1,679	—	—
Liabilities	2001-02	—	—	—	—
PA	2002-03	6,392	2,733	6	—
PA	2001-02	—	(254)	—	—
Aviation	2002-03	813	9,819	—	—
Aviation	2001-02	—	—	—	—
Others	2002-03	11,336	22,939	16,203	31
Others	2001-02	—	(2,558)	—	—
Health	2002-03	3,520	16,905	—	—
Health	2001-02	—	(1,574)	—	—
Total Amount	2002-03	182,500	270,764	16,851	41,316
Total Amount	2001-02	—	(36,570)	(592)	(109,765)

**Note :** Figure given in brackets represent the previous year figure.

Fixed assets, Investments & other current assets & liabilities are not identifiable to any business segment.

##### Secondary reportable segments

There are no reportable geographical segments since the Company provides services to customers in the Indian market only and does not distinguish any reportable regions within India.

### 4.2.2 Related party

Related parties, nature of relationship and description of transactions

Name of the related Party	Nature of relationship	Description of transactions
ICICI Bank Limited	Holding Company	The Company has taken space on rentals in the building of ICICI Bank for which it is paying rentals at market rates. In addition ICICI Bank Limited has set up a common platform for the group for sharing of common services and facilities including technology.  The Company is using the expertise and technology of ICICI Bank Call Center.  The Company has sold policies to ICICI Bank Limited. The Company has received premium and paid claims on this account.
ICICI Venture Funds Management Company Limited	Fellow Subsidiary	The Company has sold policies to ICICI Venture Funds Management Company Limited. The Company has received premium and paid claims on this account.
ICICI Securities Limited	Fellow Subsidiary	The Company has sold policies to ICICI Securities Limited. The Company has received premium and paid claims on this account.
ICICI Prudential Life Insurance Company Limited	Fellow Subsidiary	The Company has sold policies to ICICI Prudential Life Insurance Company Limited. The Company has received premium and paid claims on this account.
ICICI Home Finance Company Limited	Fellow Subsidiary	The Company has sold policies to ICICI Home Finance Company Limited. The Company has received premium and paid claims on this account. In addition to this the Company shared the cost of advertisements with ICICI Home Finance Company Limited.
Key Management Personnel (with whom transactions have taken place)	K.V. Kamath, Chairman Kalpana Morparia, Director Sandeep Bakhshi, Managing Director & CEO	The Company has issued policies to them.
Relatives of key managerial personnel (with whom transactions have taken place)	Mona Bakhshi, Wife of Managing Director & CEO	The Company has issued policies to her.

# schedules



forming part of the financial statements

Continued

Details of transactions with related parties for the year ended March 31, 2003 are given below :

Particulars	(Rs. in '000s)			
	With Holding Company	With Fellow Subsidiaries	With Key Management Personnel	Relatives of Key Management Personnel
<b>Income</b>				
Premium Income	163,754 (25,478)	42,535 (76)	160 —	0.1 —
Income from Interest & Dividend	6,741 (3,434)	— (9,510)	— —	— —
<b>Expenses</b>				
Claim Payments	58,003 (1,310)	1,320 —	— —	— —
Salary to Deputation Staff	10,334 (4,896)	— —	— —	— —
Establishment & Other Expenditure	65,385 (41,246)	5,000 —	— —	— —

Figures in brackets represent previous year figures.

Balances with related parties at March 31, 2003, are as under:

Particulars	(Rs. in '000s)	
	With Holding Company	With Fellow Subsidiaries
<b>Assets</b>		
Fixed Assets	— (817)	— —
Investments	48,873 (33,765)	— —
Cash & Bank Balances	130,782 (43,043)	— (1,584)
Income accrued on investments	584 (376)	— —
<b>Liabilities</b>		
Capital	814,000 (814,000)	— —
Advance Premium	159,648 (20,541)	18,644 (1,926)
Others Liabilities	84,267 (15,167)	296 —

Figures in brackets represent previous year figures.

## 4.2.3 Deferred taxes

The major components of temporary differences that account for deferred tax assets and liabilities are as under :

	(Rs. in '000s)			
	As at March 31, 2003		As at March 31, 2002	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Carried forward business loss	17,253	—	—	—
Timing differences on account of:				
Reserve for Unexpired Risks	11,288	—	33,873	—
Depreciation	59	—	—	—
<b>Total</b>	<b>28,600</b>	<b>—</b>	<b>33,873</b>	<b>—</b>
Net deferred tax asset/(liability)	28,600	—	33,873	—
Deferred tax expense/(income) recognised in the Profit and loss account	5,273	—	(29,200)	—

4.2.4 Prior year figures have been regrouped, reclassified wherever necessary, to conform with current year classifications.

For and on behalf of the Board

K.V. KAMATH  
Chairman

KALPANA MORPARIA  
Director

S. MUKHERJI  
Director

SANDEEP BAKHSHI  
Managing Director & CEO

RAKESH JAIN  
Head Finance & Accounts

RAJESH CHAWATHE  
Company Secretary

Mumbai, April 21, 2003